

China: Corruption Matures

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Even effective corruption involves a learning curve. Much skill is required to raise this sort of heist well above and beyond the ten minute bank heist. Xiao Jianhua of the Tomorrow Group demonstrated a sophisticated talent for theft that led to a smooth extraction of \$22.3 billion over a respectful period of 14 years. No mere grab and run, this procedure involved 347 loans through 209 shell companies. A perfect example of what capitalists call creative destruction. Just think of all the thought and effort involved in creating more than 200 authentic appearing companies in addition to the preparation of hundreds of convincing loan applications. And then the business like calmness as the loot came flowing in and then out again while at the same time made to appear as advancing company growth.

As for the destructive component, that would be the disappearance of the Baoshang Bank and two smaller banks after they went bankrupt and were liquidated. The exquisite nonchalance of young Chinese capitalism to look away and not notice that the banks were 89% owned by Xiao – 3 of the 44 financial institutions he had stakes in totaling almost a half trillion dollars.

The Chinese state is a great scheming teacher. Its Belt and Road project combined with its control of the Asian Infrastructure Development Bank provides the possibility of actual improvements to undeveloped countries while, just as was done by other world-class capitalist states, allow the ‘generous’ monster to improve lines of trade and profit. Over time the sinking of its controlling claws into naive nations in the form of a debt burden should give new China capitalism a taste of imperial domination and all its benefit. Just like old capitalism. The only flaw in China’s plan is that old capitalism is now degenerating into dying capitalism.

Economic Info

-- The two great sources of manufacturing and services information are the ISM, Institute of Supply Management, a fairly recent creation of this nation’s big business purchasing managers. They had previously been clearly identified as what they were: top level corporate bureaucrats that purchased stuff that will be used to make stuff. Since the publicizing of their data had a direct effect on market

movements, which was something of great importance to the purchasing managers themselves, they decided to disguise themselves as the ISM. Because their figures are notoriously biased on the positive side, the ISM's numbers have achieved de facto official status.

A newer firm created for the same purpose and based in the UK rather than the US is IHS (Information Handling Service) Markit. This company gathers data rather than being a direct source of it and tends to be more objective.

From May to June the ISM report on manufacturing went from 43.1 to 52.6, and for services from 45.4 to 57.1. For the same period IHS Markit has US services rebounding from 46.7 to 47.9 - growing slightly but still below what is considered growth. Almost a 10 point difference and, of course, it's the ISM's phony positives along other sources of hype that feeds the phony market boom.

-- A more significant source of the magical all-time record market highs in the midst of the greatest slump is the federal monetary explosion of debt. The budget debt for the fiscal year ending September 30 is \$2.81 trillion. It's expected that the final tally will more than double the previous worst annual debt. That shouldn't please business. Even governments are expected to eventually pay off debt. But an economy will accept poison if that is the only thing that can extend its life. Thus the conversion of public debt into an asset for private capital.

Budgetary ups and downs harkens back to the end of the Clinton period when, believe it or not, they were actually making detailed plans about what government should do with the expected huge surplus after it pays off all of its debts. What a system near death should be doing is cleaning itself up for a final burial so its replacement has less of a mess to deal with.

-- The UK reported an April to June economic output that was 20.4% lower than the previous quarter. The recession is the worst since this type of data was collected in 1955, and it means 17 years of economic growth has been wiped out. It's not the worst downturn in Europe, that would be Spain 22.7%, UK 22.1%, France 18.9%, Italy 17.1% (weren't they the worst?), Germany 11.9%. The US GDP fell to an annual low rate of 32.9% in the second quarter. Of course, these extremely negative conditions will eventually cease and return to a more moderate negative trend. It's insane and upsetting to the general

populace to have their ruling class going gaga about the economy because, if they think this is pretty good when it's really vile, then what must this promised happy future really be like.

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